MACKINAC FINANCIAL CORP /MI/
Form 10-K
March 28, 2014
Table of Contents

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-20167

MACKINAC FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

MICHIGAN	**38-2062816**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 South Cedar Street, Manistique, Michigan 49854

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **(888) 343-8147**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, no par value	**The NASDAQ Stock Market, LLC**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.) Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o

Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the common stock held by non-affiliates of the Registrant, based on a per share price of $8.88 as of June 30, 2013, was $19.930 million. As of March 28, 2014, there were outstanding, 5,527,690 shares of the Corporation s Common Stock (no par value).

Documents Incorporated by Reference:

Portions of the Corporation s Annual Report to Shareholders for the year ended December 31, 2013, are incorporated by reference into Parts I and II of this Report.

Portions of the Corporation s Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

TABLE OF CONTENTS

Table of Contents

PART I

ITEM 1. BUSINESS

Mackinac Financial Corporation (the Corporation) was incorporated under the laws of the state of Michigan on December 16, 1974. The Corporation changed its name from First Manistique Corporation to North Country Financial Corporation on April 14, 1998. On December 16, 2004, the Corporation changed its name from North Country Financial Corporation to Mackinac Financial Corporation. The Corporation is headquartered and located in Manistique, Michigan. The mailing address of the Corporation is 130 South Cedar Street, Manistique, Michigan 49854.

In December of 2004, the Corporation was recapitalized with the net proceeds, approximately $26.2 million, from the issuance of $30 million of common stock in a private placement. Commensurate with this recapitalization, the Corporation changed its name from North Country Financial Corporation to Mackinac Financial Corporation with the Bank adopting the mBank identity early in 2005.

The Corporation owns all of the outstanding stock of its banking subsidiary, mBank (the Bank). The Bank currently has 7 branch offices located in the Upper Peninsula of Michigan and 4 branch offices located in Michigan s Lower Peninsula. The Bank maintains offices in Chippewa, Grand Traverse, Luce, Manistee, Marquette, Menominee, Oakland, Otsego, and Schoolcraft Counties. The Bank provides drive-in convenience at 7 branch locations and has 13 automated teller machines. The Bank has no foreign offices.

The Corporation also owns four non-bank subsidiaries: First Manistique Agency, presently inactive; First Rural Relending Company, a relending company for nonprofit organizations; and North Country Capital Trust, a statutory business trust which was formed solely for the issuance of trust preferred securities and Mackinac Commercial Credit, LLC, an asset based lending subsidiary located in Southeast Michigan. The Bank represents the principal asset of the Corporation. The Bank has one wholly owned subsidiary, mBank Title Insurance Agency, LLC, which provides title insurance services throughout Michigan. The Corporation and its subsidiary Bank are engaged in a single industry segment, commercial banking, broadly defined to include commercial and retail banking activities, along with other permitted activities closely related to banking.

Operations

The principal business the Corporation is engaged in, through the Bank, is the general commercial banking business, providing a full range of loan and deposit products. These banking services include customary retail and commercial banking services, including checking and savings accounts, time deposits, interest bearing transaction accounts, safe deposit facilities, real estate mortgage lending, commercial lending, commercial and governmental lease financing, and direct and indirect consumer financing. Funds for the Bank s operation are also provided by brokered deposits and through borrowings from the Federal Home Loan Bank (FHLB) system, proceeds from the sale of loans and mortgage-backed and other securities, funds from repayment of outstanding loans and earnings from operations. Earnings depend primarily upon the difference between (i) revenues from loans, investments, and other interest-bearing assets and (ii) expenses incurred in payment of interest on deposit accounts and borrowings, maintaining an adequate allowance for loan losses, and general operating expenses.

3

Table of Contents

Competition

Banking is a highly competitive business. The Bank competes for loans and deposits with other banks, savings and loan associations, credit unions, mortgage bankers, and investment firms in the scope and type of services offered, pricing of loans, interest rates paid on deposits, and number and location of branches, among other things. The Bank also faces competition for investors   funds from mutual funds and corporate and government securities.

The Bank competes for loans principally through interest rates and loan fees, the range and quality of the services it provides and the locations of its branches. In addition, the Bank actively solicits deposit-related clients and competes for deposits by offering depositors a variety of savings accounts, checking accounts, and other services.

Employees

As of December 31, 2013, the Corporation and its subsidiaries employed, in the aggregate, 127 employees equating to 133 full-time equivalents. The Corporation provides its employees with comprehensive medical and dental benefit plans, a life insurance plan, and a 401(k) plan. None of the Corporation s employees are covered by a collective bargaining agreement with the Corporation. Management believes its relationship with its employees to be good.

Business

The Bank makes mortgage, commercial, and installment loans to customers throughout Michigan. Fees may be charged for these services. The Bank s most prominent concentration in the loan portfolio relates to commercial loans to entities within the real estate   operators of nonresidential buildings industry. This concentration represented $100.333 million or 27.92% of the commercial loan portfolio at December 31, 2013. The Bank also supports the service industry, with its hospitality and related businesses, as well as gaming, forestry, restaurants, farming, fishing, and many other activities important to growth in Michigan. The economy of the Bank s market areas is affected by summer and winter tourism activities.

The Bank has become a premier SBA/USDA lender in the State of Michigan. Many of these SBA/USDA guaranteed loans are sold at a premium on the secondary market, with the Bank retaining the servicing. The Bank does not sell the loan guarantees on every credit, rather only those where acceptable market rates are above par.

The Bank also offers various consumer loan products including installment, mortgages and home equity loans. In addition to making consumer portfolio loans, the Bank engages in the business of making residential mortgage loans for sale to the secondary market.

The Bank also provides title insurance services throughout the State of Michigan through its wholly owned subsidiary, mBank Title Insurance Agency, LLC.

In late 2013, the Corporation launched Mackinac Commercial Credit, LLC (MCC), a wholly owned subsidiary of the Corporation. MCC is a specialty finance company engaged in asset based lending and factoring of accounts receivable.

The Corporation may pursue new lease opportunities through unrelated entities, where the credit quality and rate of return on the transactions for its current business strategies. The Bank accounts for lease transactions as loans.

The Bank s primary source for lending, investments, and other general business purposes is deposits. The Bank offers a wide range of interest bearing and non-interest bearing accounts, including commercial and retail checking accounts, negotiable order of withdrawal (NOW) accounts, money

Table of Contents

market accounts with limited transactions, individual retirement accounts, regular interest-bearing statement savings accounts, certificates of deposit with a range of maturity date options, and accessibility to a customer s deposit relationship through online banking. The sources of deposits are residents, businesses and employees of businesses within the Bank s market areas, obtained through the personal solicitation of the Bank s officers and directors, direct mail solicitation and limited advertisements published in the local media. The Bank also utilizes the wholesale deposit market for any shortfalls in loan funding. No material portions of the Bank s deposits have been received from a single person, industry, group, or geographical location.

The Bank is a member of the FHLB. The FHLB provides an additional source of liquidity and long-term funds. Membership in the FHLB has provided access to attractive rate advances, as well as advantageous lending programs. The Community Investment Program makes advances to be used for funding community-oriented mortgage lending, and the Affordable Housing Program grants advances to fund lending for long-term low and moderate income owner occupied and affordable rental housing at subsidized interest rates.

The Bank has secondary borrowing lines of credit available to respond to deposit fluctuations and temporary loan demands. The unsecured lines totaled $28.375 million at December 31, 2013, with additional amounts available if collateralized.

As of December 31, 2013, the Bank had no material risks relative to foreign sources. See the Interest Rate Risk and Foreign Exchange Risk sections in Management s Discussion and Analysis of Financial Condition and Results of Operations in the Corporation s 2013 Annual Report to Shareholders, which sections are incorporated herein by reference, for details on the Corporation s foreign account activity.

Compliance with federal, state, and local statutes and/or ordinances relating to the protection of the environment is not expected to have a material effect upon the Bank s capital expenditures, earnings, or competitive position.

Supervision and Regulation

As a registered bank holding company, the Corporation is subject to regulation and examination by the Board of Governors of the Federal Reserve System (the Federal Reserve Board) under the Bank Holding Company Act, as amended (the BHCA). The Bank is subject to regulation and examination by the Michigan Department of Financial and Insurance Services (the DFIS) and the Federal Deposit Insurance Corporation (the FDIC).

Under the BHCA, the Corporation is subject to periodic examination by the Federal Reserve Board, and is required to file with the Federal Reserve Board periodic reports of its operations and such additional information as the Federal Reserve Board may require. In accordance with Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Corporation might not do so absent such policy. In addition, there are numerous federal and state laws and regulations which regulate the activities of the Corporation, the Bank and the non-bank subsidiaries, including requirements and limitations relating to capital and reserve requirements, permissible investments and lines of business, transactions with affiliates, loan limits, mergers and acquisitions, issuances of securities, dividend payments, inter-affiliate liabilities, extensions of credit and branch banking.

Federal banking regulatory agencies have established risk-based capital guidelines for banks and bank holding companies that are designed to make regulatory capital requirements more sensitive to

Table of Contents

differences in risk profiles among banks and bank holding companies. The resulting capital ratios represent qualifying capital as a percentage of total risk-weighted assets and off-balance sheet items. The guidelines are minimums, and the federal regulators have noted that banks and bank holding companies contemplating expansion programs should not allow expansion to diminish their capital ratios and should maintain all ratios well in excess of the minimums. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier 1 capital. Tier 1 capital includes common shareholders equity, qualifying perpetual preferred stock, and minority interests in equity accounts of consolidated subsidiaries, but excludes goodwill and most other intangibles and excludes the allowance for loan and lease losses. Tier 2 includes the excess of any preferred stock not included in Tier 1 capital, mandatory convertible securities, hybrid capital instruments, subordinated debt and intermediate term-preferred stock, and general reserves for loan and lease losses up to 1.25% of risk-weighted assets.

The Federal Deposit Insurance Corporation Improvement Act contains   prompt corrective action   provisions pursuant to which banks are to be classified into one of five categories based upon capital adequacy, ranging from   well capitalized   to   critically undercapitalized   and which require (subject to certain exceptions) the appropriate federal banking agency to take prompt corrective action with respect to an institution which becomes   significantly undercapitalized   or   critically undercapitalized .

In general, the regulations define the five capital categories as follows: (i) an institution is   well capitalized   if it has a total risk-based capital ratio of 10% or greater, has a Tier 1 risk-based capital ratio of 6% or greater, has a leverage ratio of 5% or greater and is not subject to any written capital order or directive to meet and maintain a specific capital level for any capital measures; (ii) an institution is   adequately capitalized   if it has a total risk-based capital ratio of 8% or greater, has Tier 1 risk-based capital ratio of 4% or greater, and has a leverage ratio of 4% or greater; (iii) an institution is   undercapitalized   if it has a total risk-based capital ratio of less than 8%, has a Tier 1 risk-based capital ratio that is less than 4% or has a leverage ratio that is less than 4%; (iv) an institution is   significantly undercapitalized   if it has a total risk-based capital ratio that is less than 6%, a Tier I risk-based capital ratio that is less than 3% or a leverage ratio that is less than 3%; (v) an institution is   critically undercapitalized   if its   tangible equity   is equal to or less than 2% of its total assets. The FDIC also, after an opportunity for a hearing, has authority to downgrade an institution from   well capitalized to   adequately capitalized   or to subject an   adequately capitalized   or   undercapitalized institution to the supervisory actions applicable to the next lower category, for supervisory concerns. These regulatory ratios are subject to further review and adjustment as described under   Basel III Proposal   below.

Information pertaining to the Corporation s capital is contained in   Management s Discussion and Analysis of Financial Condition and Results of Operations   under the caption   Capital and Regulatory   in the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

Current federal law provides that adequately capitalized and managed bank holding companies from any state may acquire banks and bank holding companies located in any other state, subject to certain conditions.

In 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA), which eliminated certain barriers to and restrictions on affiliations between banks and securities firms, insurance companies and other financial service organizations. Among other things, GLBA repealed certain Glass-Steagall Act restrictions on affiliations between banks and securities firms, and amended the BHCA to permit bank

Table of Contents

holding companies that qualify as financial holding companies to engage in a broad list of financial activities, and any non-financial activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines is complementary to a financial activity and poses no substantial risk to the safety and soundness of depository institutions or the financial system. GLBA treats lending, insurance underwriting, insurance company portfolio investment, financial advisory, securities underwriting, dealing and market-making, and merchant banking activities as financial in nature for this purpose.

Under GLBA, a bank holding company may become certified as a financial holding company by filing a notice with the Federal Reserve Board, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. The Corporation does not qualify as a financial holding company at this time.

Privacy Restrictions

GLBA, in addition to the previous described changes in permissible non-banking activities permitted to banks, bank holding companies and financial holding companies, also requires financial institutions in the U.S. to provide certain privacy disclosures to customers and consumers, to comply with certain restrictions on sharing and usage of personally identifiable information, and to implement and maintain commercially reasonable customer information safeguarding standards. The Corporation believes that it complies with all provisions of GLBA and all implementing regulations, and the Bank has developed appropriate policies and procedures to meet its responsibilities in connection with the privacy provisions of GLBA.

The USA PATRIOT Act

In 2001, Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA PATRIOT Act). The USA PATRIOT Act is designed to deny terrorists and criminals the ability to obtain access to the United States financial system, and has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The USA PATRIOT Act mandates financial services companies to implement additional policies and procedures with respect to, or additional measures designed to address, any or all of the following matters, among others: money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, and currency crimes.

Sarbanes-Oxley Act

On July 30, 2002, President Bush signed into law The Sarbanes-Oxley Act of 2002. This legislation addresses accounting oversight and corporate governance matters, including:

- The creation of a five-member oversight board that will set standards for accountants and have investigative and disciplinary powers;

- The prohibition of accounting firms from providing various types of consulting services to public clients and requiring accounting firms to rotate partners among public client assignments every five years;
- Increased penalties for financial crimes;
- Expanded disclosure of corporate operations and internal controls and certification of financial statements;
- Enhanced controls on, and reporting of, insider training; and

Table of Contents

• Prohibition on lending to officers and directors of public companies, although the Bank may continue to make these loans within the constraints of existing banking regulations.

Among other provisions, Section 302(a) of the Sarbanes-Oxley Act requires that our Chief Executive Officer and Chief Financial Officer certify that our quarterly and annual reports do not contain any untrue statement or omission of a material fact. Specific requirements of the certifications include having these officers confirm that they are responsible for establishing, maintaining and regularly evaluating the effectiveness of our disclosure controls and procedures; they have made certain disclosures to our auditors and Audit Committee about our internal controls; and they have included information in our quarterly and annual reports about their evaluation and whether there have been significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to their evaluation.

In addition, Section 404 of the Sarbanes-Oxley Act and the SEC s rules and regulations thereunder require our management to evaluate, with the participation of our principal executive and principal financial officers, the effectiveness, as of the end of each fiscal year, of our internal control over financial reporting. Our management must then provide a report of management on our internal over financial reporting that contains, among other things, a statement of their responsibility for establishing and maintaining adequate internal control over financial reporting, and a statement identifying the framework they used to evaluate the effectiveness of our internal control over financial reporting.

Extraordinary Government Programs

Troubled Asset Relief Program. On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (EESA) was enacted, which, among other things, provided the United States Department of the Treasury (Treasury) access to up to $700 billion to stabilize the U.S. banking system. On October 14, 2008, Treasury announced its intention to inject capital into nine large U.S. financial institutions under the Capital Purchase Program (the CPP) as part of the Troubled Asset Relief Program (TARP) implementing the EESA, and since has injected capital into many other financial institutions.

Under the CPP, the Corporation issued previously authorized preferred stock with a 5% annual dividend rate to the Department of Treasury (Treasury). The Corporation also, as a required part of this transaction, issued 379,093 common stock warrants with an exercise price of $4.35 per share. The preferred stock and common stock warrants were issued on the closing date, April 24, 2009. In 2012, the Treasury auctioned the Corporation s preferred stock and the stock was sold to several individual and private investors. The Corporation repurchased its common stock warrants from the Treasury in December 2012 at a cost of $1.3 million. In 2013, the Corporation redeemed the entire $11.0 million in Series A Preferred Stock.

Additional information pertaining to Supervision and Regulation is contained in Management s Discussion and Analysis of Financial Condition and Results of Operations under the caption Capital and Regulatory in the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

Table of Contents

Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) into law. The Dodd-Frank Act resulted in sweeping changes in the regulation of financial institutions aimed at strengthening safety and soundness for the financial services sector. A summary of certain provisions of the Dodd-Frank Act is set forth below:

- *Increased Capital Standards and Enhanced Supervision*

The federal banking agencies are required to establish minimum leverage and risk-based capital requirements for banks and bank holding companies. These new standards will be no lower than current regulatory capital and leverage standards applicable to insured depository institutions and may, in fact, be higher when established by the agencies. The Dodd-Frank Act also increased regulatory oversight, supervision and examination of banks, bank holding companies and their respective subsidiaries by the appropriate regulatory agency.

- *Federal Deposit Insurance.*

The Dodd-Frank Act made permanent the $250,000 deposit insurance limit for insured deposits and provided unlimited federal deposit insurance on noninterest bearing transaction accounts at all insured depository institutions through December 31, 2012. Subsequent to 2012, these amounts reverted from unlimited insurance to $250,000 coverage per separately insured depositor. The Dodd-Frank Act also changed the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible equity, eliminated the ceiling on the size of the Deposit Insurance Fund (the DIF) and increased the floor on the size of the DIF.

- *The Consumer Financial* Protection *Bureau (CFPB).*

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating a new agency, the CFPB, responsible for implementing, examining and, for large financial institutions of $10 billion or more in total assets, enforcing compliance with federal consumer financial laws. Because we have under $10 billion in total assets, however, the Federal Reserve Bank of Chicago (Reserve Bank) will still continue to examine us at the federal level for compliance with such laws.

- *Interest on Demand Deposit Accounts.*

The Dodd-Frank Act repealed the prohibition on the payment of interest on demand deposit accounts effective July 21, 2011, thereby permitting depository institutions to now pay interest on business checking and other accounts.

- *Mortgage Reform.*

The Dodd-Frank Act provided for mortgage reform addressing a customer s ability to repay, restricted variable-rate lending by requiring the ability to repay to be determined for variable rate loans by using the maximum rate that will apply during the first five years of a variable-rate loan term, and made more loans subject to requirement for higher-cost loans, new disclosures and certain other restrictions.

- *Interstate Branching.*

The Dodd-Frank Act allows banks to engage in de novo interstate branching, a practice that was previously significantly limited.

- *Interchange Fee Limitations.*

The Dodd-Frank Act gave the Board of Governors of the Federal Reserve (the FRB) the authority to establish rules regarding interchange fees charged for electronic debit transactions by a payment card issuer that, together with its affiliates, has assets of $10 billion or more and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. The FRB has rules under this provision that limit the swipe fees that a debit card issuer can charge a

Table of Contents

merchant for a transaction to the sum of 21 cents and five basis points times the value of the transaction, plus up to one cent for fraud prevention costs. While we are not directly subject to such regulations since our total assets do not exceed $10 billion, these regulations may impact our ability to compete with larger institutions who are subject to the restrictions.

We expect that many of the requirements called for in the Dodd-Frank Act will be implemented over time, and most will be subject to implementing regulations over the course of several years. Given the uncertainty associated with the manner in which the provisions of the Dodd-Frank Act will ne implemented by the various regulatory agencies and through regulations, the full extent of the impact such requirements will have on financial institutions   operations is unclear. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage ratio requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make necessary changes in order to comply with new statutory and regulatory requirements.

Basel III

Internationally, both the Basel Committee on Banking Supervision and the Financial Stability Board (established in April 2009 by the Group of Twenty Finance Ministers and Central Bank Governors to take action to strengthen regulation and supervision of the financial system with greater international consistency, cooperation and transparency) have committed to raise capital standards and liquidity buffers within the banking system (Basel III   ). On September 12, 2010, the Group of Governors and Heads of Supervision agreed to the calibration and phase-in of the Basel III minimum capital requirements (raising the minimum Tier 1 common equity ratio to 4.5% and minimum Tier 1 equity ratio to 6.0%, with full implementation by January 2015) and introducing a capital conservation buffer of common equity of an additional 2.5% with implementation by January 2019. In July 2013, the Federal Reserve Board released interim final rules regarding implementation of the Basel III regulatory capital rules for U.S. banking organizations. The interim final rules address a significant number of outstanding issues and questions regarding how certain provisions of Basel III are proposed to be adopted in the United States. Key provisions of the proposed rules include the total phase-out from Tier 1 capital of trust preferred securities with grandfathering for bank holding companies with less than $15 billion in assets, a capital conservation buffer of 2.5% above minimum capital ratios, inclusion of accumulated other comprehensive income in Tier 1 common equity, inclusion in Tier 1 capital of perpetual preferred stock, and an effective minimum Tier 1 common equity ratio of 7.0%.

Monetary Policy

The earnings and business of the Corporation and the Bank depends on interest rate differentials. In general, the difference between the interest rates paid by the Bank to obtain its deposits and other borrowings, and the interest rates received by the Bank on loans extended to its customers and on securities held in the Bank   s portfolio, comprises the major portion of the Bank   s earnings. These rates are highly sensitive to many factors that are beyond the control of the Bank, and accordingly, its earnings and growth will be subject to the influence of economic conditions, generally, both domestic and foreign, including inflation, recession, unemployment, and the monetary policies of the Federal Reserve Board. The Federal Reserve Board implements national monetary policies designed to curb inflation, combat recession, and promote growth through, among other means, its open-market dealings in US government securities, by adjusting the required level of reserves for financial institutions subject to reserve requirements, through adjustments to the discount rate applicable to borrowings by banks that are members of the Federal Reserve System, and by adjusting the Federal Funds Rate, the rate charged in the interbank market for purchase of excess reserve balances. In addition, legislative and economic factors can be expected to have an ongoing impact on the competitive environment within the financial services industry. The nature and timing of any future changes in such policies and their impact on the Bank cannot be predicted with certainty.

Table of Contents

Selected Statistical Information

I. Distribution of Assets, Obligations, and Shareholders Equity; Interest Rates and Interest Differential

The key components of net interest income, the daily average balance sheet for each year including the components of earning assets and supporting obligations the related interest income on a fully tax equivalent basis and interest expense, as well as the average rates earned and paid on these assets and obligations is contained under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations in the Corporation s 2012 Annual Report to Shareholders, and is incorporated herein by reference.

An analysis of the changes in net interest income from period-to-period and the relative effect of the changes in interest income and expense due to changes in the average balances of earning assets and interest-bearing obligations and changes in interest rates is contained under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations in the Corporation s 2012 Annual Report to Shareholders, and is incorporated herein by reference.

II. Investment Portfolio

A. Investment Portfolio Composition

The following table presents the carrying value of investment securities available for sale as of December 31 (dollars in thousands):

	2013	2012	2011
Corporate	**$ 16,079**	$ 18,977	$ 8,178
U.S. Agencies	**14,855**	10,404	10,575
U.S. Agencies - MBS	**7,359**	8,374	14,418
State and political subdivisions	**6,095**	6,044	5,556
TOTAL	**$ 44,388**	$ 43,799	$ 38,727

B. Relative Maturities and Weighted Average Interest Rates

The following table presents the maturity schedule of securities held and the weighted average yield of those securities, as of December 31, 2013 (fully taxable equivalent, dollars in thousands):

	In one year or less	After one, but within five years	After five, but within ten years	Over 10 years	TOTAL	Weighted Average Yield (1)
U.S. Agencies	**$**	**$ 7,723**	**$ 7,132**	**$**	**$ 14,855**	**1.53%**
U.S. Agencies - MBS			**7,313**	**46**	**7,359**	**2.76%**
Corporate	**3,083**	**12,996**			**16,079**	**1.76%**
State and political subdivisions	**83**	**816**	**2,639**	**2,557**	**6,095**	**3.73%**
TOTAL	**$ 3,166**	**$ 21,535**	**$ 17,084**	**$ 2,603**	**$ 44,388**	
Weighted average yield (1)	**2.10%**	**1.60%**	**2.90%**	**4.50%**	**2.23%**	

(1) Weighted average yield includes the effect of tax-equivalent adjustments using a 34% tax rate.

Table of Contents

III. Loan Portfolio

A. Type of Loans

The following table sets forth the major categories of loans outstanding for each category at December 31 (dollars in thousands):

	2013	2012	2011	2010	2009
Commercial real estate	**$ 268,809**	$ 244,966	$ 199,201	$ 194,859	$ 208,895
Commercial, financial and agricultural	**79,655**	80,646	92,269	68,858	72,184
One-to-four family residential real estate	**103,768**	87,948	77,332	75,074	67,232
Construction	**17,799**	24,694	25,519	39,012	31,709
Consumer	**13,801**	10,923	6,925	5,283	4,290
TOTAL	**$ 483,832**	$ 449,177	$ 401,246	$ 383,086	$ 384,310

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table presents the remaining maturity of total loans outstanding for the categories shown at December 31, 2013, based on scheduled principal repayments (dollars in thousands):

	Commercial Real Estate	Commercial, Financial, and Agricultural	1-4 Family Residential Real Estate	Consumer	Construction	Total
In one year or less:						
Variable interest rates	**$ 19,336**	**$ 21,258**	**$ 1,270**	**$ 1,154**	**$ 1,669**	**$ 44,687**
Fixed interest rates	**2,089**	**1,836**	**1,336**	**441**	**7,001**	**12,703**
After one year but within five years:						
Variable interest rates	**85,666**	**18,291**	**1,767**	**6**	**4,629**	**110,359**
Fixed interest rates	**130,889**	**18,186**	**6,278**	**8,010**	**1,348**	**164,711**

After five years:						
Variable interest rates	**23,875**	**7,718**	**88,038**	**393**	**3,010**	**123,034**
Fixed interest rates	**6,954**	**12,366**	**5,079**	**3,797**	**142**	**28,338**
TOTAL	**$ 268,809**	**$ 79,655**	**$ 103,768**	**$ 13,801**	**$ 17,799**	**$ 483,832**

C. Risk Elements

The following table presents a summary of nonperforming assets and problem loans as of December 31 (dollars in thousands):

[redacted]

Nonaccrual loans	**$ 1,406**	$ 4,687	$ 5,490	$ 5,921	$ 14,368
Interest income that would have been recorded for nonaccrual loans under original terms	**228**	313	363	583	700
Interest income recorded during period for nonaccrual loans		54	118	141	40
Accruing loans past due 90 days or more					
Restructured loans not included above	**618**		2,503	4,642	869

Table of Contents

IV. Summary of Loan Loss Experience

A. Analysis of the Allowance for Loan Losses

Changes in the allowance for loan losses arise from loans charged off, recoveries on loans previously charged off by loan category, and additions to the allowance for loan losses through provisions charged to expense. Factors which influence management s judgment in determining the provision for loan losses include establishing specified loss allowances for selected loans (including large loans, nonaccrual loans, and problem and delinquent loans) and consideration of historical loss information and local economic conditions.

The following table presents information relative to the allowance for loan losses for the years ended December 31 (dollars in thousands):

	2013	2012	2011	2010	2009
Balance of allowance for loan losses at beginning of period	**$ 5,218**	$ 5,251	$ 6,613	$ 5,225	$ 4,277
Loans charged off:					
Commercial	**2,171**	775	3,258	5,027	2,465
One to four famly residential real estate	**141**	399	490	410	282
Consumer	**120**	82	52	48	71
Total loans charged off	**2,432**	1,256	3,800	5,485	2,818
Recoveries of loans previously charged off:					
Commercial	**150**	253	128	346	38
One to four famly residential real estate	**26**	7	1	11	16
Consumer	**24**	18	9	16	12
Total recoveries	**200**	278	138	373	66
Net loans charged off	**2,232**	978	3,662	5,112	2,752
Provisions charged to expense	**1,675**	945	2,300	6,500	3,700
Balance at end of period	**$ 4,661**	$ 5,218	$ 5,251	$ 6,613	$ 5,225
Average loans outstanding	**462,500**	422,440	388,115	384,347	374,796
Ratio of net charge-offs during period to average loans outstanding	**.48**%	.23%	.94%	1.33%	.73%

Table of Contents

B. Allocation of Allowance for Loan Losses

The allocation of the allowance for loan losses for the years ended December 31, is shown on the following table. The percentages shown represent the percent of each loan category to total loans (dollars in thousands):

	2013		2012		2011		2010		2009	
	Amount	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Commercial real estate	**$ 1,849**	**39.67%**	$ 3,267	70.09%	$ 2,973	63.78%	$ 3,460	74.23%	$ 3,284	62.94%
Commercial, financial agricultural	**1,378**	**29.56%**	692	14.85%	1,079	23.15%	1,018	21.84%	1,135	
Commercial construction	**80**	**1.72%**	125	2.68%	207	4.44%	389	8.35%	386	
1-4 family residential real estate	**516**	**11.07%**	980	21.03%	1,114	23.90%	1,622	34.80%	23	.44%
Consumer construction	**25**									
Consumer	**148**							.00%	13	.25%
Unallocated and general reserves	**665**	**14.27%**	154	3.30%	(122)	-2.62%	124	2.66%	384	7.36%
TOTAL	**$ 4,661**	**100.00%**	$ 5,218	100.00%	$ 5,251	100.00%	$ 6,613	100.00%	$ 5,225	100.00%

V. Deposits

Deposit information is contained in Note 7 to the Corporation s Consolidated Financial Statements contained in the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

VI. Return on Equity and Assets

Selected financial data of the Corporation is contained in the Corporation s 2013 Annual Report to Shareholders under the caption Selected Financial Data, and is incorporated herein by reference.

See Item 6 of this Form 10-K, Selected Financial Data

VII. Financial Instruments with Off-Balance Sheet Risk

Information relative to commitments, contingencies, and credit risk are discussed in Note 17 to the Corporation s Consolidated Financial Statements contained in the Corporation s 2013 Annual Report to Shareholders and is incorporated herein by reference.

Table of Contents

ITEM 2. PROPERTIES

The Corporation s headquarters are located at 130 South Cedar Street, Manistique, Michigan 49854. The headquarters location is owned by the Corporation and not subject to any mortgage.

Information regarding specific branch locations is contained in the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

All of the branch locations are designed for use and operation as a bank, are well maintained, and are suitable for current operations. Of the 11 branch locations, 8 are owned and 3 are leased. The Corporation has additional office space to house and administrative operational support. The Corporation also leases one office that supports our commercial lending.

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is contained in Note 17 of the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Corporation are listed below. The executive officers serve at the pleasure of the Board of Directors and are appointed by the Board annually. There are no arrangements or understandings between any officer and any other person pursuant to which the officer was selected.

Name	**Age**	**Position**
Paul D. Tobias	63	Chairman and Chief Executive Officer
Kelly W. George	46	President
Ernie R. Krueger	64	Executive Vice President/Chief Financial Officer

Additional information for the executive officers of the registrant is included in the Corporation s Proxy Statement for its 2014 Annual Meeting of Shareholders under the caption Directors and Officers.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCK HOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Market information pertaining to the Corporation s common stock is contained under the caption Market Information in the Corporation s 2013 Annual Report to Shareholders, and is incorporated herein by reference.

The holders of the Corporation s common stock are entitled to dividends when, and if declared by the Board of Directors of the Corporation out of funds legally available for that purpose. In determining dividends, the Board of Directors considers the earnings, capital requirements and financial condition of the Corporation and its subsidiary bank, along with other relevant factors. The Corporation s

Table of Contents

principal source of funds for cash dividends is the dividends paid by the Bank. The ability of the Corporation and the Bank to pay dividends is subject to regulatory restrictions and requirements. There were no dividends declared or paid by the Bank in 2010 or 2011. The Corporation declared a $.04 quarterly dividend on its common stock in December 2012, which was paid in early 2013. There were no sales of unregistered securities in 2012 or 2013, nor were there any repurchases of the Corporation s common stock in 2012. Additional information regarding the Corporation s common equity is contained in Note 16 Shareholders Equity in the Corporation s 2013 Annual Report to Shareholders and is incorporated herein by reference.

The Corporation currently has a share repurchase program. The program is conducted under authorizations from time to time by the Board of Directors. The shares reported in the table below are covered by Board authorizations made and publically announced for $600,000 on February 27, 2013 and an additional $600,000 on December 17, 2013. Neither of these authorizations has an expiration date.

Issuer purchase of Equity Securities

Period of purchases (1)	**Total number of shares purchased**	**Average price paid per share**	**Total number of shares purchased as part of a publically announced plan or program**	**Maximum dollars yet to be used for stock purchases**
				$ 1,059,976
October 1, 2013 to October 31, 2013	26,435	$ 9.04	26,435	819,978
November 1, 2013 to November 30, 2013	4,416	$ 9.24	4,416	779,168
December 1, 2013 to December 31, 2013	9,098	$ 9.84	9,098	689,666
Total	39,949	$ 9.24	39,949	

(1) Monthly information is provided for the Corporation's fiscal months during the fourth quarter of 2013.

Additional information regarding the Corporation s common stock is contained in the Corporation s 2013 Annual Report to Shareholders under the caption Market Information, and is incorporated herein by reference.

Information regarding securities authorized for issuance under equity compensation plans may be found under Item 12 of this report.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data of the Corporation is contained in the Corporation s 2013Annual Report to Shareholders, under the caption Selected Financial Data, and is incorporated herein by reference.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference to the Management s Discussion and Analysis of Financial Condition and Results of Operations in the Corporation s 2013 Annual Report to Shareholders

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Incorporated by reference to the Management s Discussion and Analysis of Financial Condition and Results of Operations in the Corporation s 2013 Annual Report to Shareholders

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Incorporated by reference to the Corporation s Consolidated Financial Statements for the years ended December 31, 2013, 2012, and 2011, in the Corporation s 2013 Annual Report to Shareholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change in the Corporation s independent public accountants since 2002. The change was reported on Form 8-Ks filed during 2002.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

As of the end of the period covered by this report, management of the company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Corporation s disclosure controls and procedures as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation s disclosure controls and procedures were effective, in ensuring the information relating to the Corporation (and its consolidated subsidiaries) required to be disclosed by the Corporation in the reports it files or submits under the Exchange Act was recorded, processed, summarized and reported to the Corporation s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the Corporation s internal control over financial reporting that occurred during the quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Corporation s internal control over financial reporting.

Table of Contents

Report on Management s Assessment of Internal Control Over Financial Reporting

Mackinac Financial Corporation is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements included in this annual report. The consolidated financial statements and notes included in this annual report have been prepared in conformity with generally accepted accounting principles in the United States and necessarily include some amounts that are based on management s best estimates and judgments.

We, as management of Mackinac Financial Corporation, are responsible for establishing and maintaining effective internal control over financial reporting that is designed to produce reliable financial statements in conformity with generally accepted accounting principles in the United States. The system of internal control over financial reporting as it relates to the financial statements is evaluated for effectiveness by management and tested for reliability through a program of internal audits. Actions are taken to correct potential deficiencies as they are identified. Any system of internal control, no matter how well designed, has inherent limitations, including the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Accordingly, even an effective system of internal control will provide only reasonable assurance with respect to financial statement preparation.

Management assessed the Corporation s system of internal control over financial reporting as of December 31, 2013, in relation to criteria for the effective internal control over financial reporting as described in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concludes that, as of December 31, 2013, its system of internal control over financial reporting is effective and meets the criteria of the Internal Control Integrated Framework.

This annual report does not include an attestation report of the Corporation s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Corporation s registered public accounting firm pursuant to rules of the SEC that permit the Corporation to provide only management s report in this annual report.

/s/ Paul D. Tobias	/s/ Ernie R. Krueger
Paul D. Tobias	Ernie R. Krueger
Chairman and Chief Executive Officer	Executive Vice President and
	Chief Financial Officer

Manistique, Michigan

March 28, 2014

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information set forth under the captions Information About Directors and Nominees and Section 16(a) Beneficial Ownership Reporting Compliance in the Corporation s definitive Proxy Statement for its May 28, 2014, Annual Meeting of Shareholders (the Proxy Statement), a copy of which will be filed with the SEC prior to the meeting date, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information relating to compensation of the Corporation s executive officers and directors is contained under the captions Remuneration of Directors and Executive Compensation, in the Corporation s Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information relating to security ownership of certain beneficial owners and management is contained under the caption Beneficial Ownership of Common Stock in the Corporation s Proxy Statement is incorporated herein by reference.

The following table provides information as of December 31, 2013 with respect to compensation plans (including individual compensation arrangements) under which equity securities of the Corporation are authorized for issuance. All such compensation plans were previously approved by security holders.

Plan Category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted average exercise issue price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity stock option compensation plans approved by security holders	237,152	$ 9.88	
Equity compensation plan approved by security holders in 2012	148,500	7.91	189,348

Total	385,652	$ 9.13	189,348

ITEM 13. CERTAIN RELATIONSHIPS, RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Information relating to certain relationships and related transactions is contained under the caption Indebtedness of and Transactions with Management in the Corporation s Proxy Statement and is incorporated herein by reference.

Additional information is contained under the caption Information about Directors and Executive Officers within the Corporation s Proxy Statement and is incorporated herein by reference.

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to principal accountant fees and services is contained under the caption Principal Accountant Fees and Services in the Corporation s Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(commission file number for all incorporated documents: 0-20167)

(a) The following documents are filed as a part of this report.

1. Consolidated Financial Statements (contained in the Annual Report attached hereto as Exhibit 13 and incorporated herein by reference

   (i) Report on Independent Registered Public Accounting Firm

   (ii) Consolidated Balance Sheets as of December 31, 2013, and 2012

   (iii) Consolidated Statements of Operations for the years ended December 31, 2013, 2012, and 2011

   (iv) Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011

   (v) Consolidated Statements of Changes in Shareholders Equity for the years ended December 31, 2013, 2012, and 2011

   (vi) Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011

   (vi) Notes to Consolidated Financial Statements

2. All of the schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are either not required under the related instruction, the required information is contained elsewhere in the Form 10-K, or the schedules are inapplicable, and therefore have been omitted.

3. Exhibits

Exhibit Number	Document
3.1	Articles of Incorporation and all amendments (most recent amendment filed December 14, 2004) (incorporated by reference to Exhibit 3.1 to the Corporation s Form 10-K filed March 31, 2009)

3.2	Certificate of Designations of Fixed Rate Cumulative Perpetual Preferred Stock, Series A of Mackinac Financial Corporation dated April 21, 2009 (incorporated by reference to Exhibit 3.1 to the

Table of Contents

	Corporation s Form 8-K filed April 24, 2009)
3.3	Third Amended and Restated Bylaws adopted March 18, 2014 (incorporated by reference to Exhibit 3.1 to the Corporation s Form 8-K filed March 24, 2014)
10.1	Deferred Compensation, Deferred Stock, and Current Stock Purchase Plan for the Corporation s nonemployee directors (incorporated by reference to Exhibit 10.2 of the Corporation s Annual Report on Form 10-K filed March 28, 2000)**
10.2	North Country Financial Corporation Stock Compensation Plan (incorporated by reference to Exhibit 10.3 of the Corporation s Annual Report on Form 10-K for the fiscal year ended December 31, 1999 and filed March 28, 2000)**
10.3	North Country Financial Corporation 1997 Directors Stock Option Plan (incorporated by reference to Exhibit 10.4 of the Corporation s Annual Report on Form 10-K filed March 28, 2000)**
10.4	North Country Financial Corporation 2000 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Corporation s Form 10-Q filed May 12, 2000)**
10.5	North Country Financial Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.6 of the Corporation s Form 10-Q filed November 5, 1999 for the quarter ended September 30, 1999)**
10.6	Form of Indemnity Agreement for the Corporation s Directors (incorporated by reference to Exhibit 10.1 to the Corporation s Form 8-K filed March 24, 2014)**
10.7	Mackinac Financial Corporation 2012 Incentive Compensation Plan (incorporated by reference to the Corporation s Proxy Statement for its annual meeting of shareholders held May 22,

Table of Contents

	2012**
10.8	First Amended and Restated Securities Purchase Agreement dated May 23, 2012, between the Corporation and Steinhardt Capital Investors, LLLP (incorporated by reference to Exhibit 10.1 to the Corporation s Form 8-K filed May 23, 2012**
10.9	First Amendment to the First Amended and Restated Securities Purchase Agreement dated May 30, 2012, between the Corporation and Steinhardt Capital Investors, LLLP (incorporated by reference to Exhibit 10.1 to the Corporation s Form 8-K filed May 31, 2012**
10.10	Employment Agreement, dated as of August 10, 2012, by and between Mackinac Financial Corporation and Paul D. Tobias (incorporated by reference to Exhibit 10.1 of the Corporation s Form 8-K filed August 15, 2012)**
10.11	Employment Agreement, dated as of August 10, 2012, by and between Mackinac Financial Corporation and Kelly W. George (incorporated by reference to Exhibit 10.2 of the Corporation s Form 8-K filed August 15, 2012)**
10.12	Employment Agreement, dated as of August 10, 2012, by and between Mackinac Financial Corporation and Ernie R. Krueger (incorporated by reference to Exhibit 10.3 of the Corporation s Form 8-K filed August 15, 2012)**
10.13	Employment Agreement, dated as of August 10, 2012, by and between Mackinac Financial Corporation and Tamara McDowell (incorporated by reference to Exhibit 10.4 of the Corporation s Form 8-K filed August 15, 2012)**
10.14	Form of Stock Appreciation Right Award Agreement under the Mackinac Financial Corporation 2012 Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 of the Corporation s Form 8-K filed August 13, 2012)**
10.15	Form of Restricted Stock Award Agreement under the Mackinac Financial Corporation 2012 Incentive Compensation Plan (incorporated by reference to Exhibit 10.2 of the Corporation s Form 8-K filed August 13, 2012)**
10.16	Form of Restricted Stock Unit Award Agreement under the Mackinac Financial Corporation 2012 Incentive Compensation Plan (incorporated by reference to Exhibit 10.3 of the Corporation s Form 8-K filed August 13, 2012)**
10.17	Warrant Repurchase Letter Agreement dated December 19, 2012

Table of Contents

	(incorporated by reference to Exhibit 10.1 of the Corporation s Form 8-K filed December 20, 2012)
13*	2013 Annual Report to Shareholders. This exhibit, except for those portions expressly incorporated by reference in this filing, is furnished for the information of the Securities and Exchange Commission and is not deemed filed as part of this filing
21*	Subsidiaries of the Corporation
23.1*	Consent of Independent Public Accountants Plante Moran, PLLC
31*	Rule 13(a) 14(a) Certifications
32.1*	Section 1350 Chief Executive Officer Certification
32.2*	Section 1350 Chief Financial Officer Certification
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document***
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document***
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document***
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document***
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document***

* filed herewith

** management compensatory plan, contract, or arrangement

*** As provided in Rule 406T of Regulation S-T, this information shall not be deemed filed for the purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934 or otherwise subject to liability under those Sections.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 28, 2014.

MACKINAC FINANCIAL CORPORATION

/s/ Paul D. Tobias
Paul D. Tobias
Chairman and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 29, 2013, by the following persons on behalf of the Corporation and in the capacities indicated. Each director of the Corporation, whose signature appears below, hereby appoints Paul D. Tobias and Ernie R. Krueger, and each of them severally, as his attorney-in-fact, to sign in his name and on his behalf, as a director of the Corporation, and to file with the Commission any and all Amendments to this Report on Form 10-K.

Signature

/s/ Paul D. Tobias Paul D. Tobias Chairman, Chief Executive Officer & Director (principal executive officer)	/s/ Ernie R. Krueger Executive Vice President/Chief Financial Officer (principal financial and accounting officer)
/s/Walter J. Aspatore Walter J. Aspatore - Director	/s/ Joseph D. Garea Joseph D. Garea Director
/s/ Robert E. Mahaney Robert E. Mahaney Director	/s/Robert H. Orley Robert H. Orley - Director
/s/ Dennis B. Bittner Dennis B. Bittner Director	/s/ L. Brooks Patterson L. Brooks Patterson Director
/s/ Kelly W. George Kelly W. George President & Director	/s/ Randolph C. Paschke Randolph C. Paschke Director
/s/ David R. Steinhardt David R. Steinhardt Director	